

Room. Copies of such filing will also be available for inspection and copying at the principal office of the CME. All submissions should refer to File No. SR-CME-2003-01 and should be submitted by June 5, 2003.

IV. Commission Findings and Order Granting Accelerated Approval of a Proposed Rule Change

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.⁷ In particular, the Commission believes that the proposed rule change is consistent with the requirements of section 6(b)(5) of the Act,⁸ which requires, among other things, that the rules of the Exchange be designed to promote just and equitable principles of trade and, in general, to protect investors and the public interest.⁹ In addition, the Commission believes that the proposed rule change is consistent with section 7(c)(2)(B) of the Act,¹⁰ which provides, among other things, that the margin requirements for security futures must preserve the financial integrity of markets trading security futures, prevent systemic risk, be consistent with the margin requirements for comparable exchange-traded options, and provide that the margin levels for security futures may be no lower than the lowest level of margin, exclusive of premium, required for any comparable exchange-traded option.

The Commission believes that the CME's standards for market makers under Rule 930.B.2.b.(3) are consistent with the Act, and Rule 400(c)(2)(v) thereunder.¹¹ Specifically, Rule 400(c)(2)(v) provides that the Commissions' joint margin rules do not apply to a member of a national securities exchange that is registered with such exchange as a "Security Futures Dealer" pursuant to exchange rules that must meet several criteria, including a requirement that a Security Futures Dealer be required to "to hold itself out as being willing to buy and sell security futures for its own account on a regular and continuous basis." The Commission believes that the affirmative obligations required by the

CME pursuant to Rule 930.B.2.b.(3) satisfy this requirement.

The CME has requested that the Commission approve the proposed rule change prior to the thirtieth day after publication of notice of the filing in the **Federal Register**. The Commission finds good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of notice of filing thereof in the **Federal Register**. The Commission believes that accelerated approval of the proposed rule change should enable CME members to trade security futures as market makers under the Market Maker Exclusion without undue delay. The Commission notes that it approved the Market Maker Exclusion as a temporary pilot to give members of the public an opportunity to comment on the substance of the Market Maker Exclusion. The Commission received no comments on the Pilot. Accordingly, the Commission finds good cause, consistent with section 19(b)(2) of the Act,¹² to approve the proposed rule change prior to the thirtieth day after publication of the notice of filing.

V. Conclusion

It is therefore Ordered, pursuant to section 19(b)(2) of the Act,¹³ that the proposed rule change (File No. SR-CME-2003-01) be approved, on a permanent basis, on an accelerated basis.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁴

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-47817; File No. SR-ISE-2003-10]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change and Amendment No. 1 Thereto by the International Securities Exchange, Inc. To Amend Its Obvious Error Rule

May 8, 2003.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on February 28, 2003, the International Securities

Exchange, Inc. ("ISE" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. On May 1, 2003, the ISE submitted Amendment No. 1 to the proposed rule change.³ The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange is proposing to amend ISE Rule 720 (the "Obvious Error Rule"). Proposed new language is *italicized*; proposed deletions are in [brackets].

* * * * *

Rule 720. Obvious Errors

The Exchange shall either bust a transaction or adjust the execution price of a transaction that results from an Obvious Error as provided in this Rule.

(a) Definition of Obvious Error. For purposes of this Rule only, an Obvious Error will be deemed to have occurred when the *execution price of a transaction is higher or lower than the Theoretical Price for the series by an amount equal to at least the amount shown below:*

<i>Theoretical price</i>	<i>Minimum amount</i>
<i>Below \$2</i>	<i>.25</i>
<i>\$2 to \$5</i>	<i>.40</i>
<i>Above \$5 to \$10</i>	<i>.50</i>
<i>Above \$10 to \$20</i>	<i>.80</i>
<i>Above \$20</i>	<i>1.00</i>

[(1) If the Theoretical Price of the option is less than \$3.00:

(i) During regular market conditions (including rotations), the execution price of a transaction is higher or lower than the Theoretical Price for the series by an amount of 35 cents or more; or

(ii) During fast market conditions (*i.e.*, the Exchange has declared a fast market status for the option in question), the execution price of a transaction is higher or lower than the Theoretical Price for the series by an amount of 50 cents or more.

(2) If the Theoretical Price of the option is \$3.00 or higher:

(i) During regular market conditions (including rotations), the execution

⁷ 15 U.S.C. 78s(b)(2).

⁸ 15 U.S.C. 78f(b)(5).

⁹ In approving the proposed rule, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

¹⁰ 15 U.S.C. 78g(c)(2)(B).

¹¹ 17 CFR 240.400(c)(2)(v).

¹² 15 U.S.C. 78s(b)(2).

¹³ 15 U.S.C. 78s(b)(2).

¹⁴ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See letter from Michael Simon, Senior Vice President and General Counsel, ISE, to Nancy Sanow, Assistant Director, Division of Market Regulation, Commission, dated April 30, 2003 ("Amendment No. 1"). In Amendment No. 1, the ISE replaced the proposed rule text in its entirety.